

The 2002 Linkage Excellence in Management & Leadership Series

Leadership, Culture, and Strategy

Featuring Jim Collins



Dear Participant:

Welcome to the second program in the 2002 Linkage Excellence in Management & Leadership Series. The seminar series is designed to bring four inspiring and influential business thinkers to your organization in a live and interactive manner.

Today's program, *Leadership, Culture, and Strategy*, features Jim Collins, author of *Good to Great: Why Some Companies Make the Leap...and Others Don't*. He will offer the features and operations that enable organizations to thrive. Specifically, the program will focus on:

- How a good company can become a great company
- How great leaders focus on people first and strategy second
- How an organization can know when its strategy is the right strategy

Jim Collins is one of the foremost business thinkers in the world today. He has published over fifty articles and his previous co-authored book, *Built to Last*, held a position on the Business Week best seller list for nearly six years. His newest book, *Good To Great*, is based on a five-year research project and earned a position on both the *New York Times* and *Wall Street Journal* best seller lists. Jim will be drawing extensively from his new book today.

These Participant Materials have been designed to complement your conversation with Mr. Collins. Use them to record your notes. At specified points during the program, you will be asked to submit questions to ask Mr. Collins during the question-and-answer segment scheduled toward the end of the program. Learning is a mental activity that requires more than passively watching a speaker. Simply watching today's program will neither instill leadership skills and knowledge nor result in an immediate change in your organization's culture and strategic positioning.

About Linkage

Linkage, Inc. is a leading provider of leadership and management development training programs, services, and products. More than 30,000 executives and management professionals have attended a Linkage institute, conference, workshop, or corporate education program. Linkage also provides assessment, consulting, and research services to Fortune 500 companies and other leading organizations. Founded in 1988, Linkage is headquartered in Lexington, Massachusetts, with regional offices located in Atlanta, Brussels, London, Minneapolis, and San Francisco. In both 1997 and 1998, Linkage was honored as one of the "Inc. 500 Fastest Growing Private Companies in the United States."

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SECTION 1

Satellite Program Materials

What You Will Learn

Participating in this session with Jim Collins will be your opportunity to learn how great companies grow and attain superior performance, and how good companies can become great.

Introduction and Basic Premises

The core ingredients of great companies include a unique breed of leadership, a sound strategy, an aversion to jumping on technology bandwagons, and a culture of entrepreneurial discipline.

Jim Collins and his researchers spent five years determining how good companies become great companies. After looking at 1,435 companies that have appeared on the Fortune 500 list since 1965, Collins and his team found only 11 companies that made a leap from good to great. The criteria to make this short list included:

1. The company had to show a pattern of good performance, punctuated by a transition point, after which it shifted to great performance.
2. The transition from good to great had to be company-specific, not an industry-wide event.
3. The company had to be an established and ongoing enterprise, not a startup.
4. The transition point had to occur before 1985 to give the team enough data to assess the sustainability of the transition.
5. Whatever the year of transition, the company had to be a significant, ongoing, stand-alone company.
6. At the time of its selection, the company still had to show an upward trend.

Question-and-Answer Session

- If participating in the live presentation of this program, call, fax, or e-mail your questions to Jim Collins using the question sheet on page 20.
- If you are taking part in a post-broadcast program, share your questions with the seminar coordinator and your colleagues.

When the Session Has Concluded...

- Your feedback is valuable in ensuring the integrity of this and future programs. We take pride in providing relevant, thought-provoking, and enlightening programs, but we rely on you to make it happen. To complete the participant evaluation form please go to:
<http://www.linkageinc.com/surveys/research/eval0202.htm>
- To further reinforce your understanding of today's content, as well as hone other aspects of your leadership skills, complete the suggested Post-Presentation Activities starting on page 14.

Pre-Presentation Activities

- Become familiar with Jim Collins' accomplishments by reading the brief biography that follows.

Driven by a relentless curiosity, Jim Collins began his research and teaching career on the faculty at Stanford Graduate School of Business, where he received the Distinguished Teaching Award in 1992. Since then, he has received a record total of four teaching awards during his seven years on faculty. In 1995, he founded a management-research laboratory in Boulder, Colorado, where he now conducts multi-year research projects and works with executives from the private, public, and social sectors.

Jim has served as a teacher to senior executives and CEOs at corporations that include Starbucks Coffee, Merck, Times Mirror, Patagonia, American General, W.L. Gore, and hundreds more. He has also worked with non-corporate sector organizations such as the Leadership Network of Churches, Johns Hopkins Medical School, the Boys & Girls Clubs of America, and The Peter F. Drucker Foundation for Non-Profit Management.

Jim's work has been featured or reviewed favorably in *Inc.*, *The Economist*, *Fortune*, *Harvard Business Review*, *Industry Week*, *Wall Street Journal*, *USA Today*, *Investor's Business Daily*, *Across the Board*, *California Management Review*, *International Business*, and a variety of other publications. He was also featured in the PBS

television series "The Creative Spirit." He has taught in university sponsored executive education programs and delivered numerous keynote addresses and featured talks at industry conferences and CEO gatherings in North America, Europe, Australia, and South America.

An avid rock climber, he holds title to a number of first ascents in Colorado and has made all-free ascents of the North Face of the Rostrum, the East Face of Washington Column, and the West Face of El Capitan in Yosemite Valley.

Mr. Collins lives in Boulder, Colorado, with his wife Joanne Ernst.

- Read books authored or edited by Jim Collins:

Good to Great: Why Some Companies Make the Leap... and Others Don't, HarperCollins Publishers, 2001.

Built to Last: Successful Habits of Visionary Companies, Harper Business, 1996.

Beyond Entrepreneurship: Turning Your Business into an Enduring Great Company, Simon & Schuster Trade, 1995.

Managing The Small To Midsized Company: Concept and Cases, McGraw-Hill, 1994.

- **Discussion**

Jim Collins believes that when large-scale corporate changes truly take effect, organizations do not do anything very far outside their normal modus operandi. However, seven myths around creating large-scale corporate change still seem to pervade organizational development thinking.

1. The Myth of the Change Program: change comes with a launch event, a tag line, and cascading activities
2. The Myth of the Burning Platform: change starts only when there is a crisis that persuades unmotivated employees to accept the need for change
3. The Myth of Stock Options: monetary rewards are incentives that grease the wheels of change
4. The Myth of Fear-Driven Change: fear of being left behind, watching others win, or presiding over monumental failure are drivers of change
5. The Myth of Acquisitions: you can buy your way to growth, so it figures you can buy your way to greatness
6. The Myth of Technology-Driven Change: the breakthrough you are looking for can be achieved by using technology to leapfrog the competition
7. The Myth of Revolution: big change has to be extreme or painful—a large, shattering break

Step One: Answer the following question in the space provided.

Of these myths, which ones have you held to be true?

Have you experienced instances in which these myths seemed entirely true?

Have you experienced instances in which these myths were debunked? What seemed to be the reason?

Step Two: Share your answers to these questions with a partner or small group.

- **Discussion: BHAGs**

A BHAG is a Big, Hairy, Audacious Goal. In *Built to Last*, Collins defined a BHAG (pronounced bee-hag), as a powerful mechanism for stimulating progress. In *Good to Great*, he adds that BHAGs are huge and daunting goals that are clear and compel people to "get it" right away. They are unifying focal points of efforts that galvanize people, capture their imagination, and create team spirit.

Good BHAGs are set with quiet understanding, but yield powerful results. (Bad BHAGs, on the other hand, are set with grand "bravado" and cannot be attained while staying in the core ideology of the organization.)

1. What are some of the BHAGs that your organization is currently seeking to accomplish?

2. Of them, which are "good" BHAGs, and which are "bad"? Why?

3. Can any of the bad BHAGs be adjusted to fit more closely with your organization's core ideology?

4. What role are you playing to help accomplish the BHAGs? How can you better position yourself and lead your team to help make BHAGs a reality?

5. What are some additional BHAGs you see as appropriate for your team or organization to pursue?

- **Activity: Counterintuitive Results**

Mr. Collins' research for *Good to Great* yielded several counterintuitive results.

1. Charisma is as much a liability for leaders as it is an asset.
2. Change agents who come in from the outside have a negative correlation with organizational change success versus change agents who come from the inside.
3. Leaders who became celebrities have big egos that negatively affect the organization.
4. There is no pattern, amount, or structure in how executives are compensated that acts as a distinguishing factor for great organizations.
5. Great companies do not have big change programs, yet they manage to attain great results.
6. "Stop doing" lists are more important than "to do" lists.

With your group, consider the following questions.

- A. Why do you think these findings came about?

- B. If these are true, why do we continue to feed into them?

- **Discussion: Level 5 Leadership**

Level 5 leadership refers to the highest level in a hierarchy of executive capabilities that is needed to elevate companies from mediocrity to sustained excellence. While Collins does not feel it is the only requirement for transforming a good company into a great one, it is an essential one.

Collins outlined the "Yin and Yang" of Level five to include:

Personal Humility	Professional Will
Demonstrates a compelling modesty, shunning public adulation; never boastful.	Creates superb results, a clear catalyst in the transition from good to great.
Acts with quiet, calm determination; relies principally on inspired standards, not inspiring charisma, to motivate.	Demonstrates an unwavering resolve to do what ever must be done to produce the best long-term results, no matter how difficult.
Channels ambition into the company, not the self; sets up successors for even more greatness in the next generation.	Sets the standard of building an enduring great company; will settle for nothing less.
Looks in the mirror, not out the window, to apportion responsibility for poor results, never blaming other people, external factors, or bad luck.	Looks out the window, not in the mirror, to apportion credit for the success of the company - to other people, external factors, and good luck.

From J.Collins, "Level 5 Leadership," *Harvard Business Review*, January 2001.

Consider the following questions.

- Which is harder for you, humility or will? Why?

- Think of a leader you admired in your past. Which did he or she exhibit more, humility or will?

- What do you think the is "right" balance (between humility and will) in leaders of great organizations?

- **Activity: Who's on Your Bus?**

- Consider the people in your span of responsibility as "on your bus." As their leader in a given effort, do you have the right people on the bus? If so, how did you get them there? If not, why not?

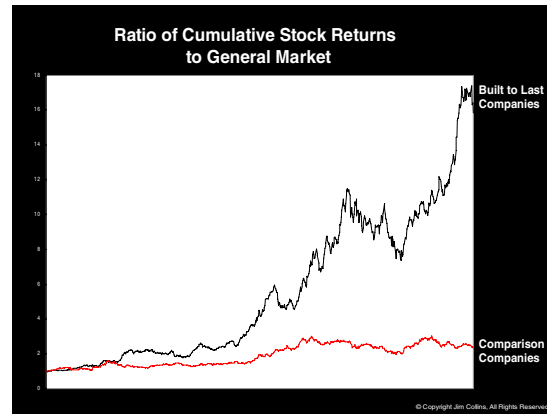
- If not, do you have the mechanisms to get them off the bus?

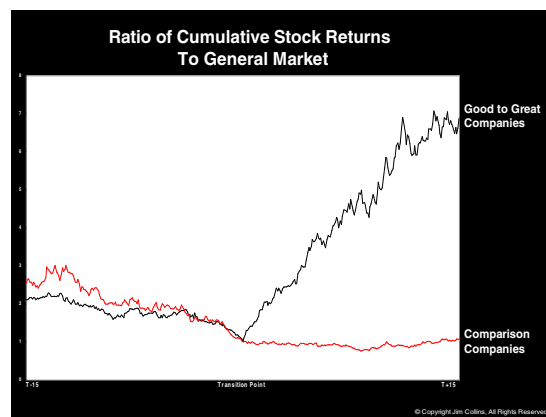
- If so, do you have the mechanisms to recognize them when they are doing well?

- Are you able to strike the appropriate balance between humility and will while leading this team?

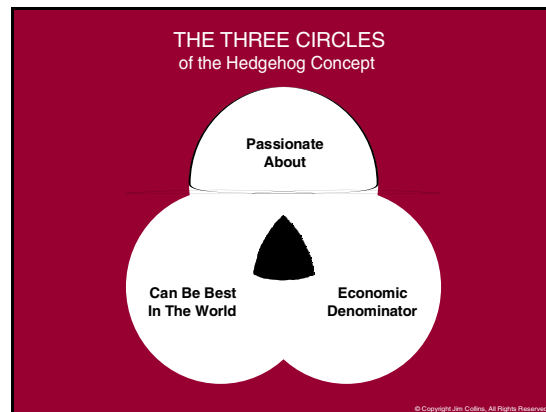
During this Program

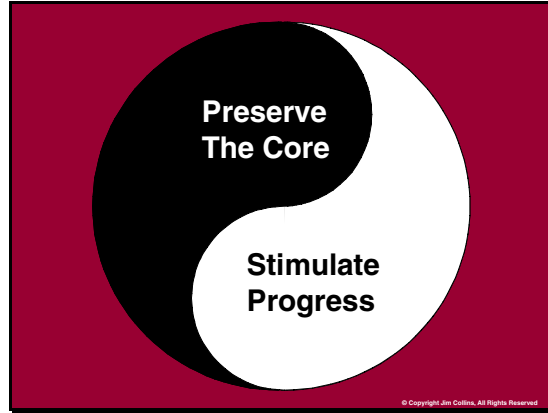
- Participate! Use these Participant Materials for your notes.
- Submit questions to be addressed by Jim Collins during the question-and-answer session. Mr. Collins will respond to questions in the latter third of the program. To submit questions, either complete the fax form found on page 20, or call in when prompted during the program.
- Make notes during Collins' presentation in the space provided on the following pages.



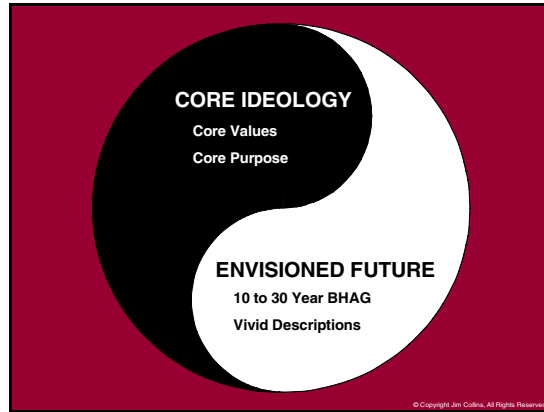










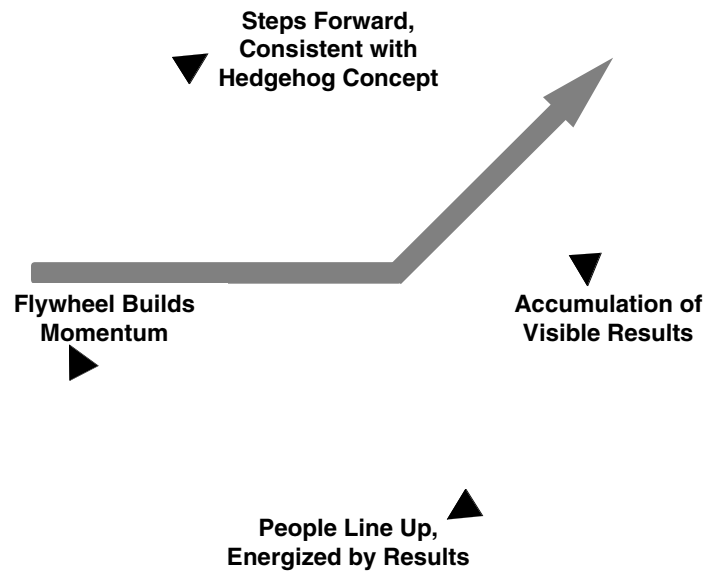


Post-Presentation Activities:

- Complete and submit the participant evaluation form found at: <http://www.linkageinc.com/surveys/research/eval0202.htm>
- Review your notes from your conversation with Mr. Collins.

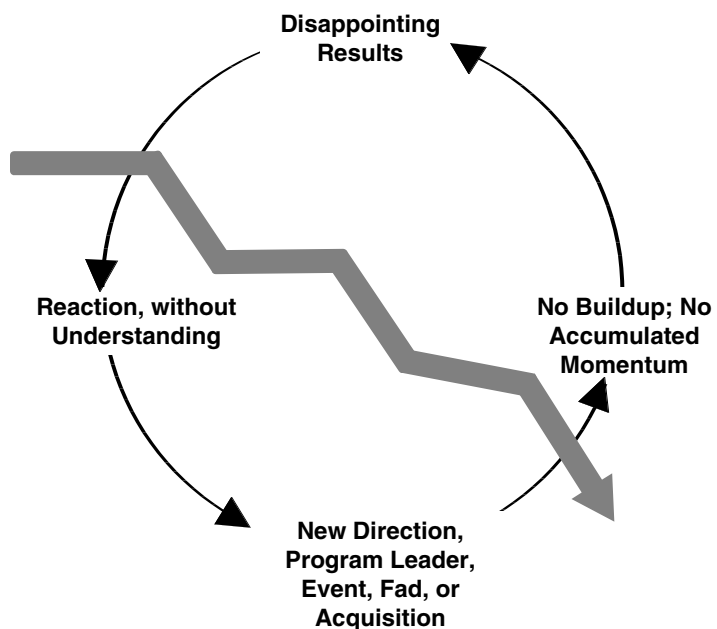
- **Discussion: The Flywheel Effect and the Doom Loop**

The Flywheel Effect is based on a simple truth: "tremendous power exists in the fact of continued improvement and the delivery of results." If you point to tangible accomplishments and show how these steps fit into the context of an overall concept so that people see and feel the buildup of momentum, excitement will build tremendously.



From *Good to Great* by Jim Collins.

When companies launch multiple new initiatives and processes to motivate employees, they often fall into the "Doom Loop." That is, by searching for a single defining action or innovation to fix all sorts of problems, they push the flywheel in one direction, stop it short, change its direction, and start it anew over and over again. Years of lurching back and forth eliminate any chance of sustained momentum.



From *Good to Great* by Jim Collins.

The following are some signs that an organization is on the Fly Wheel:

- Follows a pattern of buildup leading to breakthrough (reaching breakthroughs by an accumulation of steps)
- Confronts the brutal facts to see what steps must be taken to build momentum
- Attains consistency with a clear Hedgehog Concept (resolutely staying within the three circles)
- Harnesses appropriate technologies for the Hedgehog Concept
- Spends little energy trying to motivate or align people: the momentum of the flywheel is infectious

1. Is your organization on the flywheel?

2. What evidence do you have to support (or refute) your answer to Question 1 ?

3. Without triggering a Doom Loop, how can you better position your immediate group / team to be on the flywheel?

4. Do you agree with Collins? (Are all organizations either one or the other?)

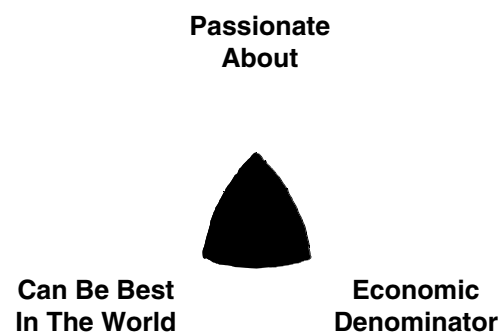
• **Activity: The Hedgehog Concept**

In a famous essay, philosopher Isaiah Berlin described two approaches to life and thought using a simple parable: The fox knows a little about many things but the hedgehog knows only one big thing very well. While the fox is complex, the hedgehog is simple...and the hedgehog wins!

In *Good to Great*, Jim explains the Hedgehog Concept as stemming from a deep understanding about the intersection of the three circles on the following page. These circles ask:

1. What you can be the best in the world at (and, equally important, what you can you not be the best in the world at)? This goes beyond core competence, and might not even be something which you are currently engaged in doing.

2. What drives your economic engine? All good-to-great companies attained insight into how to most effectively generate sustained cash flow and profitability.
3. What are you deeply passionate about? The good-to-great companies focus on the activities that ignite their passions.



To have a fully developed Hedgehog concept, all three circles must be realized. If you make lots of money doing things you could never be the best at, you will only have a successful company (not a "great" one). If you become the best at something, you will never maintain that position if you do not have intrinsic passion for what you are doing. Finally, you can be passionate about something, but if you cannot be the best or if it does not make economic sense, then you will not produce great results.

Step One: Consider this concept and model as well as other ideas Mr. Collins conveyed during the program.

A. Why is your organization doing what it does?

- Are you currently doing what you can be the best at? If not, why not?

- Are you currently expending effort towards things that you cannot be the best at? If so, why?

B. Do you fully comprehend your economic engine?

- What is the single denominator (profit per x) that has the greatest impact on your economics (e.g., cash flow per x in the social sector)?

- Looking at your responses to Question A, do your organization's efforts make economic sense?

C. Are the key players in your organization passionate about what your organization does?

Step Two: Discuss your findings with a partner or small group.

SECTION 2

Forms

Question Sheet

Use this form to write your question for Jim Collins or for discussion among your colleagues. Please write clearly.

Name (optional)

Organization

Location

Your question (25 words or fewer):

Tel 1-800-489-8814 (from within U.S.)
 801-303-7412 (from outside U.S.)

Fax 1-877-892-0170 (from within U.S.)
 646-349-3661 (from outside U.S.)

Email leadership2002@linkage-inc.com